LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6175 | **NOTE PREPARED:** Jan 5, 2009
BILL NUMBER: SB 427 | **BILL AMENDED:**

SUBJECT: Parental Leave for School Conferences.

FIRST AUTHOR: Sen. Errington | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State
X DEDICATED
X FEDERAL

Summary of Legislation: This bill requires certain employers of employee parents to provide paid parental leave for school conferences when the conferences cannot be scheduled during the employee's nonworking hours.

The bill provides for a state tax credit for an employer that provides parental leave.

The bill provides for enforcement by the Commissioner of Labor.

Effective Date: July 1, 2009; January 1, 2010.

Explanation of State Expenditures: *State Employment*: The bill requires the state and businesses organized as C-corporations that are subject to the Corporate Adjusted Gross Income Tax to allow certain employees to take qualified parental leave. "Qualified parental leave" is up to 6 hours per year of paid leave to attend parental conferences or other school activities directly related to the education of the employee's child that cannot be scheduled during hours in which the employee is not working. The impact of this provision on the state as an employer would be minor. [Note: The bill provides a tax credit to corporate businesses for providing the qualified parental leave (see *Explanation of State Revenues*).]

State Department of Labor: Under the bill, the Department of Labor would be required to develop procedures and forms related to the notification of the opportunity for employees to take paid parental leave for school conferences. Additionally, the Department is charged with investigating and addressing complaints filed by persons who allege a grievance related to the paid leave requirements. The Department of Labor may issue reasonable orders to remedy the violation of the paid leave time requirement. The Department may also require the violator to pay the complainant a civil penalty of up to $1,000.

Expanding the responsibilities of the Department of Labor to include the oversight of paid parental leave for school conferences will increase the Department's administrative burden. Any impact on the Department will depend, in part, on the number of complaints filed by persons who allege a grievance related to the leave requirements.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. In FY 2008, the Department of Labor reverted $474,696 to the state General Fund. The Department of Labor as of January 5, 2009, had six vacant positions valued at about $187,070. One of the six positions had been vacant for more than one year. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. The bill does not contain an appropriation.

Department of State Revenue (DOR): The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the corporate tax credit for qualified parental leave. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - The bill establishes a nonrefundable tax credit for corporate taxpayers that are required to provide "qualified parental leave" to their employees under the bill. (See *Explanation of State Expenditures* for the definition of "qualified parental leave.") The parental leave requirement applies to an employee employed for at least 12 months by a business organized as a C-corporation that is subject to the Corporate Adjusted Gross Income (AGI) Tax. A simulation of the credit using Corporate AGI Tax returns from tax year 2005 suggests that the annual revenue loss from corporations paying the AGI tax could total at least $48 M, with the amount of credits being carried over to succeeding years potentially totaling $70 M. These two amounts could vary year-to-year based on corporate employment and tax liabilities. In particular, the credits claimed amount could increase and the carryover credits could decrease as corporate profits increase, and vice versa. Since the tax credit is effective beginning in tax year 2010, the revenue loss could potentially begin in FY 2010 if taxpayers adjust their quarterly estimated payments.

Background Information -The tax credit is equal to $250 per employee provided qualified parental leave in the taxable year up to an aggregate of $100,000 per taxpayer. Under the bill, the taxpayer is required to provide qualified parental leave to employees. The bill allows a taxpayer to claim the tax credit for all the taxpayer's employees regardless of whether employees choose to use the qualified parental leave. The tax credit is nonrefundable, and the bill prohibits excess tax credits from being carried back. However, the bill allows a taxpayer to carry forward excess credits for up to nine years following the year in which credits were initially claimed. The credit may be applied to a taxpayer's liability under the Corporate AGI, Financial Institutions Tax, and the Insurance Premium Tax.

The Corporate AGI Tax return simulations involved almost 9,400 corporate taxpayers filing the IT-20 return. Each taxpayer's Indiana payroll reported for purposes of the corporate income apportionment formula was used to derive an Indiana employment estimate. The number of employees per corporate taxpayer was imputed from the reported Indiana payroll amount assuming an average wage of $34,000. This is equal to the 2005 Indiana average wage for all occupations reported by the U.S. Bureau of Labor Statistics. Corporations reporting Indiana payroll amounts between $10,000 (roughly the minimum wage in 2005) and $34,000 were assumed to have one qualifying employee; and corporations reporting Indiana payroll amounts of less than $10,000 were assumed to have no qualifying employees.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All; Department of Labor; DOR.

Local Agencies Affected:

Information Sources: May 2005 State Occupational Employment and Wage Estimates: Indiana, U.S. Bureau of Labor Statistics, http://stats.bls.gov/oes/2005/may/oes_in.htm#b00-0000. OFMA Corporate Tax database, 2005.

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